

## Message Text

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ACTION PM-05

INFO OCT-01 NEA-10 ISO-00 CIAE-00 INR-07 NSAE-00 SS-15

NSC-05 L-03 IGA-02 EB-08 OMB-01 TRSE-00 MCE-00

/057 W

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R 211332Z JAN 78

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 807

INFO CHUSMTM

SECDEF WASHDC//ASD/ISA//

USCINCEUR VAIHINGEN GER

C O N F I D E N T I A L JIDDA 0481

E.O. 11652: GDS

TAGS: MASS, SA, US

SUBJECT: SAUDI COMPLAINT ABOUT TERMS OF FMS AGREEMENTS

1. DEPUTY FOREIGN MINISTER ABDULRAHMAN AL MANSOURI INFORMED POLITICAL COUNSELOR ON JANUARY 21 THAT MFA HAD WRITTEN COMPLAINT FROM SAUDI MODA ABOUT FORM 1513 WHICH IS USED BY AMERICAN DOD FOR OFFER AND ACCEPTANCE IN CONNECTION WITH MILITARY CONTRACTS. MANSOURI SAID MODA HAD SEVERAL SPECIFIC COMPLAINTS. FIRST, THE PRICE OF EQUIPMENT WAS DECIDED UNILATERALLY BY THE U.S. PARTY AND IT WAS USUALLY SUBJECT TO INCREASE OR DECREASE. MANSOURI ADDED PARENTHETICALLY THAT IT WAS USUALLY AN INCREASE. SECOND, THE U.S. HAS A RIGHT TO CHANGE THE DELIVERY TIMES OF THE PURCHASED EQUIPMENT. THIRD, THE U.S. IS UNDER NO OBLIGATION TO DELIVER EQUIPMENT ACCORDING TO SPECIFICATION. IN FACT, IT HAS RIGHT TO SUBSTITUTE OTHER EQUIPMENT FOR ITEMS ORDERED BY SAUDIS. FOURTH, THE METHOD OF FINANCING RESULTS IN PAYMENT IN ADVANCE, RATHER THAN IN ACCORDANCE WITH DELIVERY. MANSOURI RECOGNIZED THAT PAYMENT WAS ACCORDING TO SCHEDULE OF PAYMENTS AGREED TO IN ADVANCE BY SAUDIS AND AMERICANS, BUT NET RESULT WAS TO TIE UP SAUDI MONEY IN U.S. TREASURY

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PRIOR TO FULL DELIVERY. FIFTH, U.S. OFFERS ARE ALWAYS LIMITED IN TIME. IF OFFER IS NOT ACCEPTED BY DEADLINE THEN PRICES AND CONDITIONS MAY CHANGE.

2. MANSOURI SAID THAT SAG WAS GOOD AND WELL KNOWN CUSTOMER OF U.S. IT HAD ALWAYS MET ITS OBLIGATIONS ON TIME AND HAD ALWAYS KEPT ITS END OF EVERY BARGAIN.

SAG PREFERRED METHOD OF AGREEMENT THAT WOULD MAKE CONDITIONS AND PRICES DEFINITE AND NOT SUBJECT TO CHANGE. SAG HAD NO SPECIFIC SUGGESTIONS AS TO WORDING OF MILITARY SALES OFFER AND ACCEPTANCE AGREEMENTS BUT IN VIEW OF SPECIAL RELATIONSHIP BETWEEN SAG AND SUG HE HOPED THAT MORE SUITABLE FORM OF AGREEMENT COULD BE WORKED OUT.

3. POL COUNS SAID WE WOULD REPORT SAG'S UNHAPPINESS OVER FORM 1513. PROBLEM OF COMPLAINTS, HOWEVER, WOULD PROBABLY HAVE TO WORKED OUT BY SAUDI-AMERICAN NEGOTIATIONS AT TIME OF PURCHASE AGREEMENT. IT MAY BE BETTER TO INVOLVE DOD AND MODA LAWYERS IN FINDING FORMULA THAT WOULD BE SUITABLE TO BOTH GOVERNMENTS. MANSOURI AGREED THAT THIS MAY BE BEST SOLUTION.  
WEST

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## Message Attributes

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**Review Markings:**  
Sheryl P. Walter  
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